

Message Text

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PAGE 01 LONDON 05179 291951Z
ACTION EUR-12

INFO OCT-01 EA-09 NEA-10 IO-13 ISO-00 AID-05 CIAE-00
EB-08 FRB-01 INR-07 NSAE-00 USIA-15 XMB-04
OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15
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P R 292042Z MAR 77 ZFF TREASURY
FM AMEMBASSY LONDON
TO SECSTATE WASHDC PRIORITY 2080
TREASURY DEPT WASHDC PRIORITY
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY DUBLIN
AMEMBASSY NEW DELHI
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
AMCONSUL BELFAST
AMCONSUL EDINBURGH
USMISSION EC BRUSSELS
USMISSION OECD PARIS
USDEL MTN GENEVA
USDOC WASHDC

UNCLAS LONDON 05179

DEPARTMENT PASS FEDERAL RESERVE BOARD

TREASURY FOR DONALD E. SYVRUD, OASIA

E.O. 11652: N/A
TAGS: ECON, UK
SUBJECT: BUDGET CLOSES AN EXCHANGE CONTROL LOOPHOLE

1. IN HIS MARCH 29 BUDGET STATEMENT, CHANCELLOR HEALEY
ANNOUNCED CHANGES TO STRENGTHEN CONTROL OVER RAISING
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PAGE 02 LONDON 05179 291951Z

STERLING FINANCE BY COMPANIES RESIDENT IN THE U.K. THAT
ARE CONTROLLED BY NON-RESIDENTS. LENDING MONEY OR SECUR-
ITIES TO SUCH COMPANIES BY U.K. RESIDENTS WITHOUT TREAS-
URY PERMISSION IS ALREADY PROHIBITED. THERE ARE HOW-
EVER OTHER MEANS OF RAISING STERLING FINANCE, SUCH AS BY
DRAWING BILLS OF EXCHANGE, WHICH ARE NOT COVERED UNDER
CURRENT EXCHANGE CONTROL RESTRICTIONS. THE PROPOSED

CHANGES WOULD REQUIRE TREASURY PERMISSION FOR THESE OTHER MEANS OF RAISING FINANCE AS WELL. UNDER CURRENT LAW, IN FACT, PERMISSION FOR LENDING TO NON-RESIDENT CONTROLLED COMPANIES HAS BEEN GIVEN GENERALLY THROUGH THE BANK OF ENGLAND, AND THE PROPOSED CHANGES ENVISAGE A LIKE GENERAL PERMISSION.

2. THE NEED TO EXTEND EXCHANGE CONTROL (I.E., TO CLOSE THE LOOPHOLE) UNDER WHICH NON-RESIDENT CONTROLLED COMPANIES COULD RAISE FUNDS ARISES DURING TIMES OF PRESSURE ON STERLING. THE ABOVE MOVE SHOULD BE SEEN AS A CONCOMITANT TO THE MEASURES TAKEN IN NOVEMBER 1976 PROHIBITING STERLING FINANCE FOR THIRD COUNTRY TRADE, ALTHOUGH AS NOTED, U.K. AUTHORITIES EXPECT TO GRANT A GENERAL PERMISSION FOR NORMAL COMMERCIAL PRACTICE.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
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Current Classification: UNCLASSIFIED
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Control Number: n/a
Copy: SINGLE
Sent Date: 29-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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